

Local Affordable Rent Housing Trust

Report by Eibhlin McHugh, Joint Director, Health & Social Care

1 Purpose of Report

This Report provides information on the LAR (Local Affordable Rent) Housing Trust, ("LAR"), which is a Scottish Charitable Incorporated Organisation aimed at providing affordable homes at below market rent levels in Scotland.

2 Background

- 2.1** Since 2006 Midlothian Council and local housing associations have completed 1,416 new build homes, which is one of the largest affordable housing development programmes for a small council in Scotland and helped to meet the need for affordable housing in this area. However, despite this considerable investment and agreement for a 3rd phase of new council housing, a total of 4,876 households are on Midlothian's Common Housing Register list.
- 2.2** The Scottish Futures Trust assisted in setting up LAR Housing Trust (charity number SC044825) which has been funded by a £55 Million loan from the Scottish Government with a further £75 Million anticipated from private investment. LAR aims to be a long term provider of high quality, energy efficient, mid-market rental homes in Scotland and intends to build approximately 1,000 units across Scotland which will be rented out at below market levels to eligible households.
- 2.3** There has already been significant investment in Mid Market Rented (MMR) housing undertaken by Registered Social Landlords (RSL), with 65 units completed since 2012 at sites in Dalkeith, Newtongrange, Mayfield and Gorebridge by Dunedin Canmore Housing Association, Melville Housing and Castle Rock Edinvar Housing Association. These have been let to households in employment, with rents usually capped at 85% of the Local Housing Allowance (as shown in Table 1). Properties are usually let for a low deposit with floor coverings and white goods included.
- 2.4** Unlike the National Housing Trust and the Council's social rented housing which requires the Council to lend or borrow, LAR does not require any financial input from the Council and also does not require any grant subsidy from the Scottish Government. This is due to the loan already received by LAR from the Scottish government and rents being capped slightly higher than other Mid Market Rented properties at 100% of the Local Housing Allowance rate. This enables Scottish Government grant funding to be prioritised for council housing and other affordable

rented housing projects. Table 2, below, shows recent research by Housing Services on the private sector housing market in Midlothian, which indicates that the average cost of a private let does exceed the Lothian Local Housing Allowance rate, demonstrating that units delivered by LAR would be slightly lower than the Midlothian average.

Table 1: Weekly Local Housing Allowance Rate 2015/16 – by Size

Bedroom Size	1 Bed	2 Bed	3 Bed
Lothian	£116.52	£145.43	£186.47

Table 2: Weekly Private Rented Sector Rental Charges in Midlothian

Bedroom Size	1 Bed	2 Bed	3 Bed
Midlothian	£140	£159	£193

- 2.6** As the LAR Housing Trust will deliver housing of high quality and high energy efficient standards, it means households are less likely to live in or be at risk of fuel poverty. In addition, LAR can support the creation of sustainable communities as it is likely that the homes will provide a mix of housing tenures in a particular area.
- 2.7** The LAR Housing Trust will engage with developers, housebuilders and others in a number of ways. LAR launched a market engagement exercise in October 2015 with the aim of acquiring units which were recently built or in the process of being built. LAR is now seeking to expand its portfolio and will be looking to increase its unit numbers in a variety of ways including both the purchase of recently completed units, and the construction of new units. Once acquired, units can be managed and maintained on behalf of LAR by the council, or an RSL, or registered landlords and letting agents. In order that homes that are delivered remain affordable over the long term, units need to be built for low cost, usually without the cost of the land being payable. Consequently, LAR Housing Trust homes are more likely to be delivered as the affordable housing policy element of an otherwise private sector site or could be delivered as a shared site, with the council or a RSL in order to maximise the number of homes being built.
- 2.8** Similar to the allocation policy criteria of other Mid Market Rent housing, the Council will have the opportunity of discussing the letting priority criteria with LAR for each development. It is suggested that the initial eligibility criteria for LAR in Midlothian would be:
- Applicants must be retired or in employment and have a gross household income of no less than £14,000 per annum and prospective tenants should normally be individuals or households on gross annual household incomes that do not exceed:
 - 1 bedroom units: £27,000
 - 2 and 3 bedroom units: £35,000
 - When allocating homes among other relevant factors priority will be given to whether the applicant:

- is on Midlothian Common Housing Register for social housing; and /or has a local connection to Midlothian (e.g., family, education or employment); and/or
 - is currently living in expensive, overcrowded, poor quality or unsuitable accommodation which does not meet their needs or who is homeless and in employment.
- The allocation criteria may be subject to revision depending on location, house type, and if the property has been designed for a specialist provision, such as older people.
 - As tenants will have an Assured Tenancy any change in household income will not affect their tenancy status and can also apply to the Common Housing Register if there are any unmet housing or medical needs.

Report Implications

3.1 Resource

LAR does not require any direct subsidy from the Council and as such there are no additional direct resource implications arising from this Report.

3.2 Risk

If the Council does not support the development of new affordable housing, the number of households in housing need and homelessness will increase, with negative consequences for the community.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☐ Community safety
- X Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- X Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

This Strategy aligns with Midlothian's Single Outcome Agreement and with corporate and divisional priorities within Midlothian's Communities and Wellbeing Division.

3.4 Impact on Performance and Outcomes

The LAR Housing Trust supports the following Local Housing Strategy Outcomes and Actions:

- Households have improved housing options across all tenures.
- The condition of housing across all tenures is improved.
- Housing in all tenures will be more energy efficient and fewer households will live in or be at risk of fuel poverty.
- Develop affordable housing using innovative models for securing more affordable homes which requires less subsidy, such as Mid Market Rented (MMR) Housing.
- Work with accredited private landlords to increase the use of private rented housing.

3.5 Adopting a Preventative Approach

Use of LAR enables additional investment in the delivery of affordable housing in Midlothian and would bring affordable units to Midlothian that are additional to those funded through Midlothian Council's work with the Scottish Government in agreeing the Affordable Housing Supply Programme grant funding which supports Council and RSL social housing development programmes.

3.6 Involving Communities and Other Stakeholders

The development of affordable housing was strongly supported during community consultation on the Local Housing Strategy 2012 – 2017. There will also be ongoing consultation with key stakeholders including the Scottish Government, private housing developers and RSLs on the suitability of LAR for sites in Midlothian.

3.7 Ensuring Equalities

An Equality Impact Assessment is not required for LAR as the Strategic Housing Investment Plan 2014 assessed tenures of affordable housing as part of the EQIA carried out for that Report.. In addition, the LAR Trust has a duty not to discriminate in its delivery of housing and all types of housing including specialist housing will be considered for acquisition. Specifically, LAR's Deed of Entrustment with the Scottish Government noted that:

"In delivering the mid-market rented housing to the Target Tenant Group, LAR shall not discriminate either directly or indirectly on such grounds as race, colour, ethnic or national origin, disability, sex or sexual orientation, religion or belief, or age and without prejudice to the generality of the preceding provisions LAR shall not unlawfully discriminate within the meaning and scope of the Equality Act 2010 or the Human Rights Act 1998 as amended or re-enacted from time to time."

3.8 Supporting Sustainable Development

All houses developed through LAR will be sustainable as units will be built to high energy efficiency standards which will reduce CO₂ emissions while also ensuring that households are less likely to be at risk of fuel poverty.

3.9 IT Issues

There are no IT issues in this report.

4 Recommendations

It is recommended that Cabinet:

- a) note the contents of this Report and;
- b) support the use of LAR to provide affordable housing on affordable housing policy sites and for officers to consider for the suitability of LAR in addition to council housing on suitable sites.

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Background Papers: None

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